

<b>Subject:</b>	Financial Inclusion Strategy		
<b>Date of Meeting:</b>	21 March 2013		
<b>Report of:</b>	Director of Finance		
<b>Contact Officer:</b>	Name:	Nicky Cambridge	Tel: 296827
	E-mail:	Nicky.cambridge@brighton-hove.gov.uk	
<b>Wards Affected:</b>	All		

## FOR GENERAL RELEASE

### 1. Summary and policy context

- 1.1. The Corporate Plan (2012/15) sets out 3 external facing priorities, one of which is to '*tackle inequality and work to create a fairer city*', with a focus on tackling financial exclusion. This is echoed in the Sustainable Community Strategy through which the Advice Partnership (one of the family of partnerships of the Local Strategic Partnership) has been tasked with delivering a range of actions to promote financial inclusion.
- 1.2 This is a period of rapid change in providing services to residents, including reductions in public service funding, welfare reforms and reductions in legal aid. Rising costs of living in relation to basic needs, such as fuel and food, combined with high unemployment and housing costs amount to significant risks for many of our residents in respect to financial exclusion.
- 1.3 In developing our approach we have agreed a local definition of Financial Inclusion for Brighton & Hove with our Partners. Financial Inclusion is "having enough resources to meet basic needs adequately and to be able to make choices over a prolonged period to maintain physical and mental well being and participate in community and society."
- 1.4 In response to this the City Council has used a commissioning approach to develop a programme of activity that is set out in the report. The overarching outcome of this work has been defined as '**The residents of Brighton & Hove are able to maintain and improve their financial wellbeing and resilience.**'

### 2. Recommendations

- 2.1 That the Committee approves the Financial Inclusion Strategy as set out in appendix one.
- 2.2 That the Committee approves the commissioning and implementation plans as set out in appendices two, three and four.
- 2.3 That the Committee notes the summary needs assessment and the summary findings of the equalities impact assessment that describe the particular

impacts for people and places in the city, as described in appendices four and five.

- 2.4 That the Committee delegate authority for the allocation and prioritisation of resources to commission and deliver against priority actions to the Director of Finance within the available budget.
- 2.5 That the Committee notes that annual performance and progress monitoring of the Financial Inclusion Strategy will be implemented.

### **3. Relevant background information / chronology of key events**

#### What is Financial Inclusion and why is it an issue?

- 3.1 There are numerous definitions of, and approaches to, Financial Inclusion policy and practice around the UK.
- 3.2 Financial inclusion is commonly defined as the ability of an individual, household, or group to access appropriate financial services or products. Without this people are often referred to as 'financially excluded'.
- 3.3 People that are financially excluded are often those in poverty and/or experiencing disadvantage and as a result might:
  - Not be able to access affordable credit
  - Not want, or have difficulty obtaining and maintaining a bank account
  - Be financially at risk through not having home insurance
  - Struggle to budget and manage money or plan for the unexpected
  - Not know how to make the most of their money
- 3.4 The costs of financial exclusion are potentially significant. Oxfam UK has estimated that people on low incomes pay a 'poverty premium' of around £1,280 per person a year in accessing basic financial services and utilities.
- 3.5 The Council has worked with the city's Advice Partnership and key stakeholders on a shared local definition of financial health that will be used for the purposes of this Strategy:

*"Having enough resources to meet basic needs adequately and to be able to make choices over a prolonged period to maintain physical and mental well being and participate in community and society."*

Taking this broader definition is useful as it allows a systemic consideration of the issues that lead people to experience financial exclusion, the impact it has and what it means for their support needs.

- 3.6 Poor financial health exacerbates poverty, increases disadvantage and has a profound impact on life chances. This in turn has a wider bearing on our communities affecting health, family breakdowns, crime levels, the environment in which we live and an individual's ability to contribute equally to

the city. Financial inclusion therefore not only benefits individuals and families, but can also reduce the costs for the Local Authority associated with issues such as, the increased need (and therefore cost) for social care and housing support, the collection of rent and council tax, antisocial behaviour and crime.

3.7 The case for tackling financial exclusion has become more important as a result of significant recent changes including:

- Rising costs of food and fuel
- Reductions in the funding and resources for advice service providers including significant losses to the legal aid budget
- Wide reaching welfare reforms
- Increasingly poor access to affordable and appropriate banking, loans and lack of savings incentives
- Loss of employment as a result of recession

#### Background / Key events

3.8 At Budget Council in March 2011, a one off budget of £400,000 was allocated for Financial Inclusion work. Work in this area commenced and links were made with Housing colleagues, who were already exploring options to support financially excluded tenants.

3.9 Cabinet in March 2012 agreed to pursue a 'Community Banking Partnership' (CBP) approach. This is described in detail below but brings together partners from the Public, Private and Third sectors. It is a way of working together to tackle the 'A B C D E' (see 3.27) of financial exclusion. Given the rising costs of fuel and food both nationally and locally, an 'F' will be added to this intervention framework for Brighton and Hove.

3.10 During this time approximately £50,000 of the initial allocation was used to support some pathfinder and pilot work delivered by the Advice Partnership. This sought to start shaping a strategic approach to financial inclusion. Work included the use of 'online self help' resources and shared client appointment systems to help reduce core costs.

3.11 In November 2012 the acting Chief Executive reviewed the council's progress on financial inclusion. These considerations included new and up to date information, such as the scale of funding reductions for the advice sector (in particular legal aid), the detail of the Government's Welfare Reform programme and the financial position of the Council. A recommendation to pursue a full Financial Inclusion Strategy was agreed with the Head of Policy, Performance and Analysis. Furthermore, it was agreed that this would be developed through the Council's agreed approach to commissioning. There were also important links to be made with the Stronger Families, Stronger Communities initiative and the Council's programme on Welfare Reform.

3.12 At Full Council in February 2013, a further allocation of £300,000 was made reflecting the urgency and scale of the issues faced in the City.

## Financial Inclusion Programme

- 3.13 A Financial Inclusion Board was established comprised of senior council officers representing Housing, Finance, Adult Social Care and Children's Services, as well as other relevant services. Also included were representatives from the Advice Partnership, CVSF and Job Centre Plus. A commissioners working group was established as a sub group to the Board and was comprised of key commissioners from across the organisation.
- 3.14 The Advice Partnership were consulted on programme structure and agreed to support the initiative, establishing a group who met to inform strategy development. The Council's Programme Management Office provided support in developing the programme and a Needs Assessment (using the Joint Strategy Needs Assessment process and template) was undertaken.
- 3.15 Stakeholder engagement was embedded throughout the programme and included an event at the Brighthelm Centre in January 2013. Following this, actions were developed around the urgent and emergency support offered to some of the City's key advice providers. This was to ensure that hundreds of the City residents could continue to receive essential advice and support at a time when demand was increasing and resources (mainly legal aid) were decreasing. This supports the wider need of the advice sector to transition in the face of reduced funding and increasing demand.
- 3.16 Housing teams were already working with Toynbee Hall, (a leading national Financial Inclusion charity), and were looking at potential options for local community banking. This work was brought into the programme to ensure analysing possible CBP options for the city and details of that are provided in the appendices. They have also provided an important 'critical friend' role, providing overall quality assurance to the work and final strategy. This has enabled the programme to be benchmarked against best practice Local Authorities elsewhere in the country. To encourage engagement, independence, efficiency and effectiveness they have also facilitated stakeholder events throughout and have shared the latest thinking on government policy. This work has been highly commended by partners.
- 3.17 Other key strands of the programme have been to:
- Explore city wide accommodation options for advice providers, including exploring the possibility of a co-located hub and dedicated provision for young people
  - Strengthen the strategic links with related programmes such as Welfare Reform and Stronger Families Stronger Communities
  - Make relevant links with Public Service Board and corporate work around Digital Inclusion
  - Explore the council's own policies and practices in relation to the promotion of financial inclusion

### Commission to support Digital Inclusion

- 3.18 'Digital by default' is a key plank of the government's welfare reform programme. There is an expectation that applications for benefits and jobs will in normal circumstances be processed online. The monthly payment and transactional bank accounts required by universal credit will mean that more people need to manage their money online. In addition, increasingly the best and most affordable services; including insurance, fuel and consumer products are found online. Data captured from the needs assessment shows that although many people have online access, they often lack the confidence or skills to use internet based services. The requirements of the reform programme and residents readiness to manage these changes pose significant additional risks for the authority in terms of the direct and indirect ability of residents to pay council tax and tenant rents.
- 3.19 To respond to this critical issue a separate priority commission to tackle digital inclusion (with a focus on financial inclusion issues such as opening and managing a bank account online) will be undertaken. This will include working with the city's community learning hubs, (particularly in the neighbourhoods highlighted through the needs assessment), to offer courses, drop-ins, workshops and one to one support.

### Creation of the Financial Inclusion Strategy

- 3.20 The Strategy set out in appendix one has been produced by the City Council's Policy, Performance and Analysis Unit. It is the product of a focussed and inclusive exercise described above, building on the work of the City's Advice Partnership.
- 3.21 The Council is committed to and recognises the need to play a leadership role in relation to the city's financial wellbeing. Furthermore, it recognises that this must be done through a transformative partnership approach, allowing the creative use of collective resource at a time where funding is reducing and demand increasing. The Strategy's vision reflects that a step change is required to the way in which the Council funds and commissions support for the city's financially excluded residents and this extends to an acknowledgement that organisational change is necessary to facilitate shared outcomes.
- 3.22 This document is therefore presented as a Brighton and Hove City Council Strategy but with fundamental recognition and respect for the role that partners such as the NHS, Registered Social Landlords (RSL's) and community and voluntary sector organisations will need to play in making it effective.

### Financial Inclusion Strategy – an overview

- 3.23 The strategy's overall outcome has been agreed as: *"The residents of Brighton & Hove are able to maintain and improve their financial wellbeing and resilience."* To achieve this outcome the strategy aims to ensure that the

most vulnerable residents increase their skills and confidence to help themselves. This means that they can identify and address financial exclusion risks and problems where and when they occur in their lives and ultimately become more independent and resilient. The council acknowledges that to achieve this ambition, it needs to look at the circumstances that can lead to financial exclusion in a holistic way, (for example by educating, as well as creating basic banking facilities).

3.24 To achieve this we have identified a delivery principle and three strategic actions. The approach is summarised as follows.

3.25 Delivery Principle: Those most disadvantaged and at risk of exclusion will receive the greatest support in achieving better financial wellbeing and resilience.

3.26 Strategic Action One: The commissioning plan set out in appendix two is concerned with the delivery of a CBP which aims to both direct resources at residents who are experiencing the greatest need and address urgent gaps in areas of key service provision. Central to this approach is the intention for the work to respond to the reality of the economic and social policy climate through a transformational approach. CBP's have developed around the country (following a government pathfinder scheme) and demonstrated effectiveness in achieving financial inclusion objectives such as provision of basic bank accounts, affordable loans, promoting saving and financial literacy. This is known as the 'A B C D E F' approach.

- **A**dvice
- **B**anking
- **C**redit
- **D**eposits (savings)
- **E**ducation
- **F**uel and **F**ood

Given the importance of digital inclusion, the CBP will adopt this as a key principle of delivery.

3.27 At its core, CBP's develop local solutions to these elements of financial exclusion. Work is being developed on each of these and details can be found in the commissioning plan in appendix two and the action plans in appendices three and four. To date most of the work has focused on the 'A – Advice' component of the framework. Given the impending changes to Universal Credit, we have commenced work with East Sussex Credit Union and High Street banks on developing their 'B' - basic banking offer.

3.28 The commission, in conjunction with the actions in the broader strategy, is seeking to support the development and establishment of a *sustainable* CBP. The successful approach will therefore include significant collaborative activity that results in the development of CBP services that are sustainable in the longer term beyond the life of this commission.

- 3.29 The commission will be aligned to the delivery of the other elements of the strategy, the work of the council on welfare reform and improving customer access (including libraries) and that of our partners, such as the Department of Work and Pensions. Details of this commission will be developed and agreed by the Financial Inclusion Board in April 2013 and will include detailed business case analysis.
- 3.30 Initial business planning has approximated the cost of a CBP locally to be a minimum of £400,000. This is based on benchmarked cost of similar work elsewhere in the country. However, more detailed business planning is necessary now that the development and engagement phase is complete and this may include returning to Policy and Resources Committee with further detail at a later date.
- 3.31 Strategic Action Two: Brighton and Hove City Council will review its organisational culture, policy and practice to ensure it better supports financial wellbeing and resilience.
- 3.32 This action is concerned with organisational change of the Local Authority to ensure council policy and practice doesn't directly or inadvertently contribute to financial exclusion. This work will include ensuring new or reviewed commissions and procurements across the authority work to support and actively contribute to Financial Inclusion. The details of the actions relating to this work are located in appendix three of the strategy.
- 3.33 Strategic Action Three: City partners will work collaboratively together to better utilise city resources and promote financial wellbeing and resilience.
- 3.34 This action seeks to utilise existing city resources and services more effectively and imaginatively. Through collaborative change partners will seek to deliver services and activities in different ways and in doing so manage the tensions between reduced resources and escalating needs from the city's residents. The details of the actions relating to this work are in located in appendix three of the strategy.

#### Monitoring and Evaluation / future governance

- 3.35 Performance management framework and associated indicators will be critical to the negotiation and implementation of this strategy and its related commissioning and action plans. All performance management arrangements will be integrated into existing arrangements, but will include regular reporting to the commissioner, a new Financial Inclusion Delivery and Performance Management Board and annual reporting to the Council's Policy and Resources Committee.

#### **4. Community engagement and consultation**

- 4.1 The Advice Partnership, which comprises a broad membership of agencies offering advice across the City, has been closely involved with developing this work. They agreed to establish a sub-group – an expert reference group to

work alongside the Financial Inclusion Board to support the development of the proposals.

- 4.2 Internal engagement has been undertaken via the Financial Inclusion Board, comprised of senior managers and through the Commissioners Working Group. They have been exploring necessary organisational change and new commissioning principles in relation to Financial Inclusion.
- 4.3 An engagement event, facilitated by Toynbee Hall was held in January 2013, attended by Council officers, NHS colleagues and Community and Voluntary Sector colleagues. Attendees considered how they could improve services to improve financial inclusion. One of the outputs from that day was significant contribution to the action plans.
- 4.4 The draft needs assessment was circulated widely across the City via CVSF networks and Advice Partnership / Advice Service Networks and this also promoted the programme. Significant and useful feedback was received as a response.

## **5. Financial and other implications**

### **5.1 Financial Implications:**

The actions arising from the Strategy will be delivered using both the remaining 2011 financial inclusion budget allocation and the additional financial inclusion budget allocation of £300,000 recently agreed through the 2013/14 budget process.

The priority actions (such as the Community Banking Partnership commission) will be delivered through this fund. Other actions will go forward through existing resources and where possible joint funding and commissioning will be obtained. The Housing Revenue Account has set aside £150,000 in its 2013/14 budget to support a range of financial inclusion measures for council housing tenants, including the commissioning of specialist money and debt advice services. The planned resources and new bids for funding to support the implementation plan are set out in Appendices 3 & 4.

It is proposed that the programme development and spend decisions are delegated within the parameters of available funding.

A detailed business case for the Community Banking Partnership will be developed and a further report brought back to Policy & Resources Committee should further funding be required.

In addition, it was agreed at Budget Council to set aside £70,000 from reserves to appoint an additional council Welfare Rights officer for 2 years to help cover any additional workload created by national welfare changes and £5,000 was identified for the creation of an appropriate information and communications package to council tenants.



Resourcing for the associated digital inclusion commission referred to in paragraph 3.19 (approximately £50,000) will come from remaining unallocated Council Tax Transitional Grant Scheme funds.

Officer consulted: Anne Silley 08 March 2013

## 5.2 Legal Implications:

The proposals in this report are within the general power of competence under Section 1 of the Localism Act 2011 that enables local authorities to do anything that individuals generally may do. Under this power, Councils may do anything that will benefit the authority or its residents and services users, as long as the proposed actions are not forbidden by any legislation and are carried out in accordance with general administrative law principles. In the case of the proposals set out in this report there is no legislation which would limit the use of the general power.

Prior to implementation of specific proposals in the action plans, legal advice will be required to ensure the appropriate processes are followed.

Officer consulted Elizabeth Culbert 20 February 2013

## 5.3 Equalities Implications:

An equalities impact assessment has been completed and a summary of its findings is attached as appendix five. The implications highlighted in that and in the needs assessment that preceded it are reflected as a critical element of our response and are enshrined in our delivery principle. All of the findings are reflected in the action plans at appendices three and four. Groups highlighted as particularly vulnerable included women (especially lone parents who are female), Black and Minority Ethnic communities and disabled people. The needs assessment included a mapping exercise that illustrated where gaps in service provision existed. This showed a significant gap in specialist support for women (particularly lone parents who are female) and a lack of targeted support for those living in expensive private sector accommodation. There are also significant issues for those people considered to be 'chronically excluded' e.g. homeless people and further work is necessary on this.

## 5.4 Sustainability Implications:

There are strong links between improved city financial inclusion and sustainability. A focus of the city's One Planet Living sustainability action plan is reducing residents' utility bills and increasing community resilience in the face of sharply rising energy bills, food and transport costs. There is a focus on reducing costs to residents in ways that will also have environmental and health benefits, such as reducing carbon dioxide emissions and water use; encouraging more local growing and healthier, cheaper food choices. Unnecessary food waste costs the average UK family £5 per week and improved education and advice can reduce this, and hence the large volume

of food waste generated by city residents. Reducing inequality is an integral part of the city's approach to One Planet Living.

#### 5.5 Crime and Disorder Implications:

Long term poverty is a key indicator in crime affecting communities such as anti-social behaviour. The hope is that by working on financial exclusion and in partnership with other programmes crime can be reduced or prevented. There is an associated impact on community cohesion for some groups and areas that will be considered in the people and place actions.

#### 5.6 Risk and Opportunity Management Implications

The strategy and plans contained in appendices support the resilience of the City and its most vulnerable residents. There is a potential risk ahead around Council rents and non payment of Council Tax. This programme helps to ensure our income targets are met.

#### 5.7 Corporate / Citywide Implications:

The planned approach supports the Council Corporate Priorities. It affects people across the whole City who are at risk of financial exclusion, whilst targeting specific geographical areas highlighted in the needs assessment. New guidance issued by Department for Work and Pensions states that Local Authorities will need to make arrangements to support the transition to Universal Credit. This is being considered as part of the implementation phase.

#### 5.8 Public Health Implications

Those living at risk of financial exclusion are exposed to increased numbers of health problems. Public Health have fully engaged with this programme as they are involved in commissioning of advice services for vulnerable residents. There are clear links between Public Health and much of this work, particularly around housing implications.

### **6. Evaluation of any alternative options**

6.1 Option One: do nothing. This would leave residents vulnerable to financial exclusion, such as falling into debt, increased risk of homelessness and health problems associated with poverty. In addition, there are corporate risks around the failure to collect Council tenant's rents and with Council Tax payments across the City.

6.2 Option Two: provide temporary resources to 'plug gaps'. This may help in short term and offer some residents useful support but is not sustainable. Additional funding for Financial Inclusion will be difficult to obtain in future years, so it is necessary to promote and develop a sustainable model.

6.3 Option Three: Supporting Financial Inclusion as set out in the strategy and implementation plans is the preferred option.

## **7. Reasons for report recommendations**

7.1 We undertook a detailed commissioning process, completed a needs assessment, explored benchmarking, engaged stakeholders, bought in Toynbee Hall as a critical friend and agreed these proposals through engagement with partners.

### **Supporting Documentation**

#### **Appendices:**

Appendix One:	Financial Inclusion Strategy
Appendix Two:	Implementation Plan One: Commission
Appendix Three:	Implementation Plan Two: Organisational Change
Appendix Four:	Implementation Plan Three: Partnership Working
Appendix Five:	Summary Needs Assessment and Findings
Appendix Six:	Summary Equalities Impact Assessment and Findings
Appendix Seven:	Demonstrating Engagement

